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In This Issue

The Sugar Industry
In the Tenth District . . . . . *page 3*

Manufacturers' Use of Bank Credit . . *page 9*

Feeder Cattle Prices . . . . . *page 12*

Current Charts and Statistics . . . . . *page 15*

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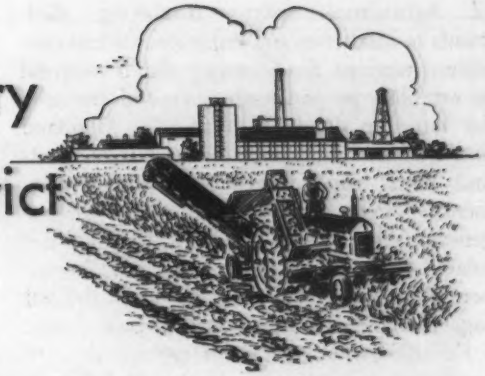
The Sugar Industry In the Tenth District



ABOUT 7.5 MILLION tons of refined sugar have been distributed annually in the United States during recent years. Domestic producers supply about half of this total, while Cuba contributes almost one third and the Philippines about one eighth. Only 1 per cent is imported from other foreign countries. Approximately two fifths of the domestically produced sugar, or 20 per cent of the total quantity, is supplied by sugar beets. The remaining domestic production comes almost exclusively from sugar cane grown in Louisiana, Florida, Hawaii, and Puerto Rico.

Government Sugar Policy

Federal Government legislation has been important in shaping the development of sugar supplies to the American market since shortly after this country gained its independence. In 1789, the first tariff was imposed on raw sugar to help raise revenue. During the century this tariff was in effect, the sugar beet industry got its start. Under the bounty system (1890-94) and a second tariff program (1894-1934), the domestic beet industry expanded. It was supplying almost one fifth of the sugar marketed in the United States by the time of World War I. In 1925, world sugar supply, swelled by artificially stimulated beet sugar production in many countries and by technical improvements in the cane sugar industry, began to reach an exceedingly large volume. To offset the resulting world price reductions, which were reflected in lower prices to domestic producers, the duty on sugar imports was increased. Sugar prices continued to fall, however, and in 1932 the U. S. price was less than three cents a pound. Although returns from beets were not high, production increased because alternative crops yielded lower returns at that time.

During the severe depression years of 1932 and 1933, it was recognized that a higher sugar tariff was an inadequate solution to the sugar problem. Following this realization, a program emphasizing control of supply was evolved and established in the Jones-Costigan Act of 1934. The policy initiated in 1934 has been continued without serious alteration by the Sugar Acts of 1937 and 1948. Existing legislation will keep it in force through 1956.

The policy embodies five main features. (1) The Secretary of Agriculture determines the amount of sugar needed to fill U. S. requirements each calendar year. (2) This amount is apportioned among mainland, offshore American, and foreign producing areas. (3) Import quotas are thus the primary means of protecting domestic producers, although the tariff continues to exist. (4) If necessary for orderly marketing, the Secretary

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of Agriculture assigns marketing allotments to marketers and importers. When conditions warrant, the Secretary also is required to establish proportionate shares of the crop for farms in domestic areas. (5) Mainland and offshore American growers of sugar beets and sugar cane receive "conditional payments," direct subsidies financed out of the general funds of the Treasury. Although not related to these payments, a tax of 53.5 cents per 100 pounds is collected on all refined sugar marketed in continental United States.

For 1954, the total sugar requirements of consumers in continental United States were determined to be 8.2 million tons, raw value. The quotas assigned under the Sugar Act of 1948, as amended, are shown in the accompanying table. Fixed quotas, in the amounts indicated, are specified for continental, offshore American, and Philippine production. Quotas for other producing areas vary according to estimates of total requirements, with Cuba receiving 96 per cent of the variable amount. While marketing allotments have been assigned to beet sugar companies for 1954, proportionate shares for farms are nonrestrictive, because adverse growing conditions were expected to limit production in many states.

Domestic and Foreign Sugar Quotas, 1954

Quota	Quantity (Short Tons, Raw Value)	Per Cent of Total
Fixed:		
Domestic areas:		
Domestic beet	1,800,000	22.0
Mainland cane	500,000	6.1
Hawaii	1,052,000	12.8
Puerto Rico	1,080,000	13.2
Virgin Islands	12,000	.1
Total domestic	4,444,000	54.2
Republic of the Philippines	974,000	11.9
Total fixed	5,418,000	66.1
Variable:		
Cuba	2,670,720	32.5
Other foreign countries	111,280	1.4
Total variable	2,782,000	33.9
GRAND TOTAL	8,200,000	100.0

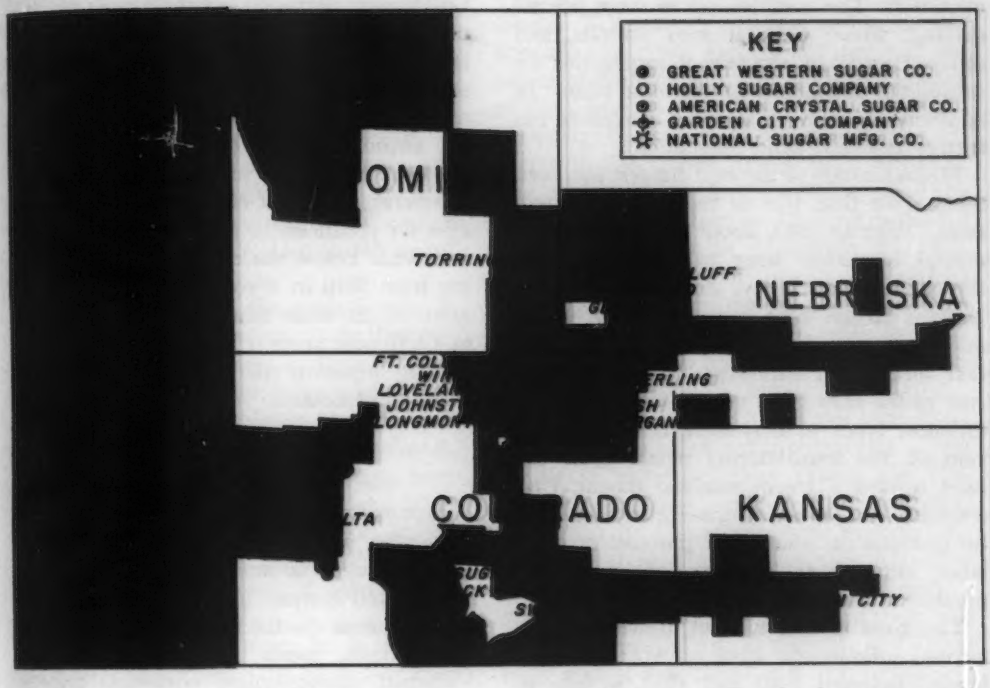
SOURCE: *Federal Register.*

Some Agricultural Aspects

Sugar beets are grown in 22 western and north central states. In terms of beet production, the leading states are California, Colorado, Idaho, Montana, and Nebraska. These five states produced nearly 70 per cent of the Nation's sugar beets, based on their average annual production during the last decade. In addition to Colorado and Nebraska within the Tenth District, Wyoming is an important beet producer. Smaller amounts are grown also in Kansas and New Mexico. The first three states are the largest District producers, with their combined output yielding about 30 per cent of total U. S. beet production during recent years.

Sugar beets are not a major crop in any of the District states, even in those which are large producers. Less than 8 per cent of the total value of all crops was accounted for by beets in Colorado and Wyoming, according to the 1950 Census. In Nebraska and Kansas, the proportions were about 1 per cent and 0.1 per cent, respectively. Beets have been an important factor, nevertheless, in the development of permanent agriculture in the irrigated areas of many western states. In addition to providing a cash crop, they are suited to several rotation systems and thus complement diversified farming operations.

Colorado has produced about three fifths of the beets in the District during recent years. The most important single center of sugar beet production in the West is located east of the Rocky Mountains in the South Platte River valley of northern Colorado. In this territory, Weld County produced nearly half of the state total in 1949, while the 4-county area of Weld, Morgan, Larimer, and Logan accounted for more than three quarters. Somewhat smaller producing areas are scattered along the Arkansas and Gunnison Rivers in Colorado. The Arkansas River valley also delineates the beet-growing area in western Kansas.



The second largest growing area in the District is situated along the North Platte River in Wyoming and Nebraska. Scotts Bluff, Morrill, Box Butte, and Sioux Counties in Nebraska, together with Goshen and Platte Counties in Wyoming, are the largest producers in this area. Beets are grown farther east in Nebraska along the Platte River, with a rather sizable concentration in the south central part of the state. The watershed of the Big Horn River constitutes a second major producing section in Wyoming. A limited quantity of beets is grown in New Mexico. Although some are grown for sugar production, their value is small relative to the returns from the harvest of sugar beet seed.

The overhead costs of irrigation in the West require a sizable acreage of crops having a high return per acre. Sugar beets have met this requirement. In a number of the District's irrigated areas, beets, beans, and potatoes represent important high-value crops. They are grown in rotation with small grains, alfalfa, and corn. Livestock feeding operations are integrated into the farm program, with beef cattle and lambs being fattened, in part, on the feed crops, sugar beet tops, beet pulp, and molasses.

The most significant influence in beet culture during recent years has been the continued progress toward complete mechanization of growing and harvesting. In the past, the growing of sugar beets has required considerable labor. Multiple-germ seeds produced thick stands of beets which had to be thinned by hand to leave a single plant. The use of processed seed, containing only one or two germs, has modified the spring thinning

operation. The combination of more precise drilling, which uniform seed permits, and reduced seedlings per seed is responsible for substantial reductions in thinning labor. In addition, the use of thinning machines has further replaced hand operations.

Mechanization of the beet harvest has been more rapid than that of the thinning operations. Prior to 1943, about 15 or 20 experimental harvesters were in commercial use throughout the country. A decade later, the Nation's largest beet sugar company, which operates primarily in the District, reported that mechanical harvesters handled 90 per cent of the crop in its areas. Although many different types of harvesters have been developed, the trend during recent years has been toward a 1-man machine mounted on a tractor. On the average, beets are harvested by machine for about half the cost of hand labor, although the savings depend upon a number of factors.

The gross income of beet growers has increased substantially from pre-World War II levels. Between 1940 and 1952, income to growers from beets increased to more than 214 per cent of the 1935-39 average. Although refined sugar prices rose also, the increase was less than for growers' income. Part of the gross income gain thus can be attributed to a larger sharing in the net returns received by beet sugar processors. At about the time of World War I, the growers' share of net returns was about 35 per cent. Although the proportion has varied during the interval, growers have received about 57 per cent of the net returns of processors in recent years. This upward trend in the growers' share has been made possible, to some extent, by increased efficiency in sugar refining.

Another part of the increase in growers' income has resulted from the Government sugar program. Under the Sugar Acts, the program not only has influenced price but also has provided direct subsidies to growers. Conditional payments equal 80 cents per 100 pounds for growers producing up to 350 short tons of raw sugar and are scaled down to 30 cents per 100 pounds for tonnages in excess of 30,000. In 1952, over $25 million, including abandonment and deficiency payments, was paid to growers under the Sugar Act for an average of about $640 per grower. Averages for producers in the District states were somewhat below the national average, ranging from $610 in Wyoming to $520 in Colorado. At the same time, the average payment to California growers was nearly $2,870, reflecting primarily the much larger average acreages of beets.

Beet Sugar Production

Beet sugar is made by extracting and purifying the juice obtained from beets. The finished sugar is more than 99.9 per cent sucrose and is equal in quality to sugar from other sources. In the first stage of the refining process, beets are sliced into thin V-shaped shreds, called cossettes. Juice is obtained from the cossettes by using hot water in batteries of cylindrical diffusion tanks. Fresh water enters the tank containing the cossettes most nearly free of sugar and leaves the system through the one most recently filled with cossettes. The resulting juice contains about 12 per cent dissolved solids, most of which are sugar. The sugar-free cossettes are called pulp.

Purification of the juice involves the addition of lime and its neutralization by carbonation. When the resulting calcium carbonate is filtered out, it removes much of the coloring and some of the nonsugar substances. The juice is treated with sulfur dioxide and refiltered. It then is concentrated to sirup in multiple evaporators and again filtered.

Sugar crystals are formed by boiling the sirup under vacuum. When the crystals have grown to proper size, they are separated from

the mass of the mixture by centrifuges. At this point, the sugar is washed with hot water or steam until it is white. After being dried in rotary drums by hot air, the sugar is sacked. Because the sirup recovered from the centrifuges contains some dissolved sugar, it is reboiled until crystalline sugar again appears. These poorer quality crystals are dissolved in water and returned to an earlier part of the process. This step usually is repeated.

After the final boiling, the residual sirup is molasses. Since it still contains sugar that will not crystallize, refining may continue beyond the "straight house" stage just outlined. By means of the Steffen or calcium process, additional sugar may be reclaimed from molasses. About half of the factories recover sugar from the molasses yielded by their own and other straight houses. The waste from the Steffen process is nearly free of sugar and is especially valuable as a source of monosodium glutamate, a condiment.

Beet sugar factories must be located in areas of beet production. The sugar beet crop is bulky and semiperishable; it cannot be transported over great distances nor can it be stored for long periods. Since the plant and equipment outlay for the construction of a factory is large, however, it is not economical to duplicate facilities in a single territory. Each factory must have sufficient volume to permit a high rate of utilization during the 3- to 4-month processing period in order to keep unit costs low.

These characteristics of the processing stage create a situation in which the beet grower usually sells his crops in a single market. In earlier years of the industry, this monopoly buying position of the processor was a source of considerable controversy between the processor and the grower. The relationship now appears to be more satisfactory. The sugar producer, in order to assure an adequate volume of beets, enters into a contract with the grower prior to the planting season. The rate of payment to the grower depends upon two factors, the average net return of the company and the sugar content of the beets.

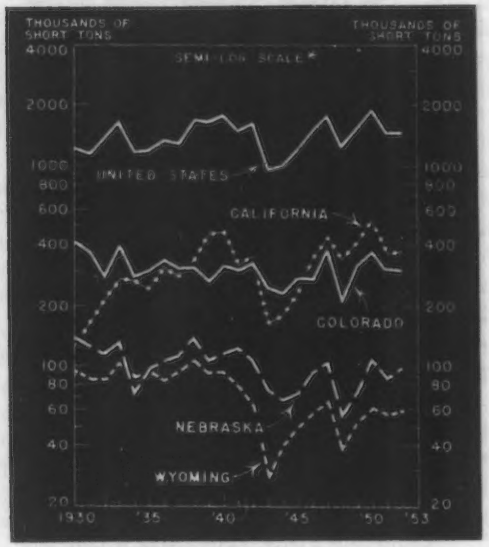
During the early years of the beet sugar industry in the United States, more difficulty was experienced with the refining operation than with beet production. The first successful factory was built in California in 1870, following a number of attempts in various parts of the country over a period of three decades. Although more than twice as many have been started, about 80 beet sugar factories now exist in 16 states.

Within the District, 25 factories were operated in 1953 by five sugar companies. Their locational patterns follow closely the concentrations of beet production. In northeastern Colorado, 12 factories were in operation, while the North Platte Valley area accounted for 5 more. The largest refineries in terms of slicing capacity also are located in these two areas at Fort Collins, Longmont, and Loveland, and at Scottsbluff and Torrington.

The first of these 25 factories in the District was erected at Grand Island in 1890. During the opening decade of this century, 14 were built. This was a period of rapid expansion for the beet industry as the protective tariff encouraged domestic production. Five of the factories were constructed in 1916 and 1917 and five more after World War I during the 1920-27 period. Other factories were built and later abandoned. For example, refineries at Fort Lupton, Colorado; Wheatland and Sheridan, Wyoming; and Minatare, Nebraska, have been wholly or partially dismantled during recent years.

The Johnstown, Colorado, factory of the Great Western Sugar Company is the only one of its kind in the United States. Built in 1926, it uses the rather difficult barium process of further desugarizing Steffen's molasses. Molasses is shipped to the refinery from

BEET SUGAR PRODUCTION



*On a semi-logarithmic graph, equal slopes indicate equal rates of change.

SOURCE: Farr and Co., *Manual of Sugar Companies* and U. S. Department of Agriculture.

other company factories in the region. A new plant, for the production of monosodium glutamate, is currently being completed and will be operated in conjunction with the molasses refinery.

Factories in the District produce nearly a third of the Nation's beet sugar. In 1952, refineries in Colorado produced about 21 per cent of the United States total; in Nebraska, 7 per cent; in Wyoming, 4 per cent; and the single factory in Kansas, less than 0.5 per cent. California factories during the same year supplied 26 per cent of all beet sugar. Refineries in the District produced over half of the national total in the late 1920's and early 1930's. The proportion declined rather rapidly as production grew in other areas, particularly California. Beet sugar output in California surpassed Colorado's production late in the 1930's. After falling below during World War II, California production again increased and has continued to exceed Colorado output throughout the postwar period. Recently, beet sugar production in Colorado and Nebraska averaged near the level prevailing during the first years of the quota system in the mid-1930's, while production in Wyoming generally has tended downward.

Sugar produced in the District is marketed principally in the Middle West from the Rocky Mountains to the Mississippi River and Lake Michigan. Although they do not represent actual consumption patterns because of possible reshipments, deliveries by all beet sugar producers in this area are largest in Illinois, Minnesota, Michigan, Missouri, Iowa, Wisconsin, Nebraska, Colorado, and Kansas. District producers in this area must compete for sales not only with other beet sugar producers but also with the cane sugar refineries located around New Orleans. Traditionally, beet sugar for the household market in the Middle West is quoted at 20 cents per 100 pounds less than cane sugar.

In general, under the sugar program since 1934, beet sugar processors have operated profitably. Their favorable position results largely from two considerations. The selling price of sugar has been supported indirectly by the quota system, although the wholesale price of refined sugar has increased less than the wholesale price index for all foods since 1940. In addition, processors have had to pay less for beets and have been supplied more adequately than they would have been in the absence of direct subsidies to growers. This is illustrated by the fact that processors paid higher prices for beets in 1936, the only year since 1934 in which conditional payments were not made, than in any other year from 1931 to 1940.

Manufacturers' Use Of Bank Credit

THIS AUTUMN, the trend of business borrowing has been studied closely for signs of a revival in the demand for credit that would denote a renewal of the upward trend of production and employment. The demand that has developed has been less than in immediately preceding years, and this fact occasionally has been considered to carry unfavorable implications for the near-term trend of business. While such inferences may or may not prove correct, some insight for interpreting current loan developments can be obtained by recognizing the changing financial structure of corporations and by examining trends in the use of bank credit in some of the more important manufacturing industries.

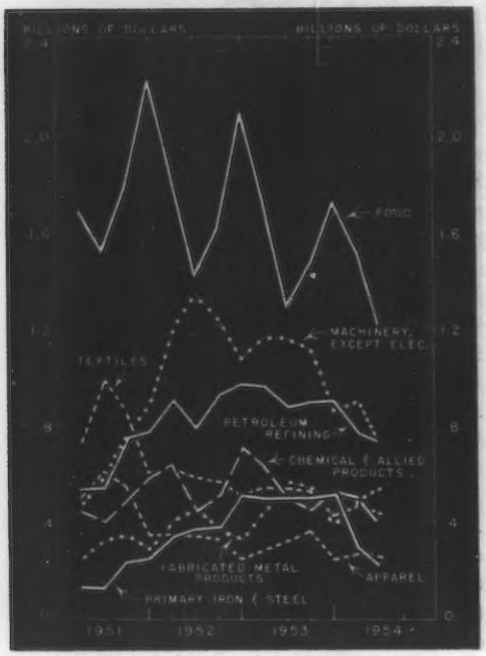
In the first half of the current year, total corporate outlays for plant and equipment were 3 per cent less than in the first half of 1953, while inventory liquidation amounted to $2 billion, compared with an investment of $2.6 billion in inventories in the first half of last year. Receivables also have been reduced this year, while a year ago there was a net growth in the volume of credit which corporations extended to their customers. Additional funds available from depreciation and retained earnings have been almost as large as in the first half of 1953. These developments alone could have been expected to lead to a reduction in bank loans; higher prices for stocks and bonds have made the funding of debt attractive to a number of companies and thus have contributed likewise to the liquidation of bank loans.

These changes in the financial position of corporations, considered as an aggregate, fail to take note of the wide differences that exist among industries in their dependence on bank credit. In other words, are the funds available from internal sources accruing to those firms which have large bank loans outstanding? Details on manufacturers' use of bank credit can be obtained by examining the Quarterly Financial Report of United States Manufacturing Corporations. Prepared by the Federal Trade Commission and the Securities and Exchange Commission, that report contains summary operating and condition statements for 23 major classes of manufacturing enterprises. The report, employing the statements of all registered corporations and an estimate, based upon samples, for those not registered, provides data for the period from the first quarter of 1951 to the second quarter of 1954. This period includes the rapid expansion of bank loans and part of the subsequent contraction.

Bank loans to manufacturing companies were estimated at $7.8 billion on June 30, 1954, when the commercial and industrial loans of all commercial banks were $26.2 billion. Other important types of business borrowers are wholesale and retail firms, construction contractors, public utilities, and sales finance companies. Among manufacturing industries, approximately one third of the bank loans outstanding on June 30, 1954, were to manufacturers of foods and nonelectrical machinery, and petroleum refiners. The accompanying chart indicates the variations in bank loans of these and other major borrowers in the 3¾-year period.

The largest group using bank credit among manufacturing industries consists of makers of foods, feeds, and beverages, which account

BANK LOANS TO MANUFACTURING INDUSTRIES
First Quarter 1951 – Second Quarter 1954



for about 15 per cent of the total. Companies in these industries are comparatively small and working capital requirements are highly seasonal, owing to wide fluctuations of inventories. Investment in inventory is significantly affected by fluctuations in commodity prices. The moderate downward trend in bank loans to these firms in the period probably was attributable principally to the similar trend in value of total inventories that appears to have resulted in the earlier part of the period from falling wholesale food prices. Internal funds were not of major importance in financing the industry in the period, nor was there any material change in accounts receivable.

Other manufacturing industries whose use of bank credit is comparatively high and whose financial structures closely parallel that of the food industry are the firms making textile mill products, and apparel and finished textiles. After a marked decline in 1951 and the first half of 1952, the bank loans of these firms were rather well maintained until this year when further repayments occurred. The bank loans of these corporations, together with those of food manufacturers, account for 24 per cent of all loans to manufacturers. Their trend in the earlier part of the period shows a closer relation to commodity price movements than to any significant change in methods of financing. More recently, reductions of physical inventories and collections of accounts receivable have furnished funds to reduce bank debt.

Loans to companies making nonelectrical machinery rank next to the food industry in volume. This group includes makers of such products as engines and turbines, agricultural machinery and tractors, metalworking machines, office and store machines, and special-industry machinery. The bank debt of the group, accounting for $731 million or 9.3 per cent of the total, reached its maximum at the end of the second quarter of 1952 and has declined irregularly since that time. By the end of the second quarter of 1954, inventory liquidation had supplied a significant amount of funds for repayment of loans. Apart from depreciation and retained profits, the other principal source of funds for debt retirement was the reduction of accounts receivable, although there was also some increase in long-term debt.

Petroleum refiners accounted for about 9.5 per cent of all bank loans to manufacturing companies on June 30 of this year. Loans to this industry have declined since the end of 1952, although inventories and total receivables have increased. Expansion in these accounts, together with substantial additions to holdings of cash and United States Government securities, was financed largely through de-

preciation reserves and an increase of long-term debt. This industry accounted for slightly less than 24 per cent of the total depreciation and depletion allowances of all manufacturing corporations during the year ended June 30, 1954. The amount was sufficient to cover about one third of the investment in new plant and equipment. It is of some interest that investment in plant and equipment by petroleum refining companies in 1954 is expected to equal outlays for these purposes last year.

Comparatively large amounts of bank credit also are employed by the firms in the primary iron and steel industry. Bank loans to these firms fell 61 per cent in the first half of 1954, as funds accrued from liquidation of inventories and receivables. Depreciation and depletion reserves are an important source of funds in this industry.

Companies manufacturing fabricated metal products, electrical machinery, motor vehicles, and nonferrous metal products have similar financial structures and most experienced downward sales trends in the year ended last June 30. This group, which accounts for 16 per cent of total bank loans to manufacturing concerns, decreased its bank loans and inventories only slightly in the 12-month period. Collections of receivables were used to retire debt to others than banks, while retained earnings and depreciation reserves were employed to expand plant and equipment.

The financial position of manufacturers of transportation equipment other than motor vehicles and parts illustrates a different type of development. This group, which includes the aircraft industry, secures 58 per cent of its capital through current liabilities. The largest single liability—$1,757 million at the end of June—consisted of advances and prepayments by the United States Government on defense contracts. The bank loans of these firms have declined since the peak at the end of the first quarter of 1953, but their current trend possibly may be affected materially by Governmental policy in supplying by prepayments a part of the capital required by defense contracts.

In summary, a significant part of bank loans outstanding to manufacturing concerns is owed by firms whose financial structure and need for credit are related to inventory movements. Bank loans to these industries have declined less rapidly since commodity prices stabilized. Other industries, in which bank credit is extensively employed, are still expanding and, while funds available from depreciation, depletion, and retained profits are high, they have not been sufficient to satisfy fully the need for capital. In still other industries, funds from internal sources and reductions of physical inventory are rising and the prospect favors reduced bank loans unless substantial new needs for capital develop. Thus, the recent slackened use of bank credit by manufacturing companies is rather readily explainable, industry by industry, in terms of changing financial needs.

FEEDER CATTLE PRICES

In recent years, cattle sales have accounted for an average of about a third of the cash receipts from farm marketings in the Tenth Federal Reserve District. Much of the cattle industry in the southern and western parts of the District consists of feeder cattle production. In the northeastern part of the District, production of slaughter cattle is relatively more important. Even in that area, however, feeder cattle prices are important, since many cattle ultimately sold as slaughter cattle are purchased as feeders.

Feeder cattle prices tend to vary widely, and they also are influenced by many elements. Seasonal factors are important in the feeder cattle market, and are reflected in a strong seasonal variation in prices. Spreads among prices of different grades of feeder cattle also vary, depending on which elements dominate the market.

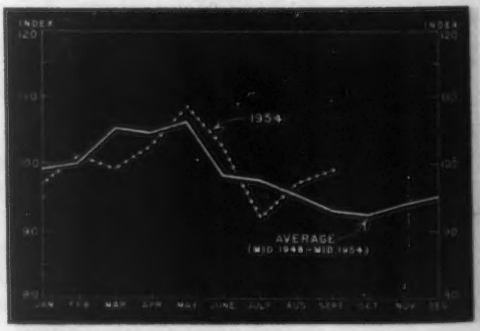
Feeder steer prices at Kansas City will be analyzed in this article. Such an analysis should be helpful in interpreting prices of other kinds of feeder cattle. Prices so far this year will be compared with the post-World War II averages, and an effort will be made to interpret any significant differences.

Seasonal Variation

Producers of feeder cattle frequently market their feeders after they are taken off grass in the late summer or fall. Consequently, large supplies at this time of year tend to cause prices to be seasonally low. On the other hand, fewer producers carry feeders through the winter and market them in the spring. Thus, supplies during the spring months are small and prices tend to be high. Only in years when unusual factors dominate the situation, do prices vary from the normal seasonal pattern of declining from May to October and increasing from October to May.

The accompanying chart compares the normal seasonal pattern of feeder steer prices at Kansas City – computed from data for the period July 1, 1946, to July 1, 1954–with 1954 prices up to mid-October. The two price series are not exactly identical, since weighted average monthly prices for all grades of feeder steers at Kansas City were used to compute the average seasonal price variation during the July 1, 1946, to July 1, 1954, period, while unweighted average prices were used to compute the 1954 price series. Since it was certain that weighting would have no significant effect on the seasonal movement of the price series

SEASONAL PRICE VARIATION OF FEEDER STEERS
Kansas City



SOURCE: U. S. Department of Agriculture.

for 1954, unweighted figures were used to bring the price series for 1954 more nearly up to date.

During 1954, prices tended to follow normal seasonal patterns until June. However, instead of continuing the normal seasonal decline from June to October, prices of feeder steers fell more than normally during July, reversed their direction in the latter part of July, and have been following a contra-seasonal pattern since then.

This unusually early increase in prices can be attributed to a number of factors. First, slaughter steer prices showed a substantial seasonal increase from August to October. Second, many operators purchase feeder cattle on the basis of last year's situation; since 1954 slaughter cattle prices were enough higher than feeder cattle prices in the fall of 1953 to provide a favorable profit margin, prices of feeder steers have been bid up this fall. Third, the demand for beef has remained quite strong during the past year and this has encouraged feeders. Finally, the number of steers one year old or older on farms at the beginning of the year was 11 per cent below the number on farms at the beginning of 1953. This would imply that supplies of feeder steers available this fall may be more scarce than a year ago. Furthermore, feeder steer prices were relatively low in August and September of 1953. During the latter part of October 1953, they increased much more sharply than normal and remained firm until May 1954. For operators who base purchases on the previous year's situation, the price trend during the fall of 1953 would encourage purchases during August and September of this year.

All of these factors encouraged farmers to purchase feeder steers. The combination of circumstances was strong enough to more than offset the normal tendency for a continuing seasonal decline from July to October and the adverse effects that severe drought tends to have on the market. The drought in 1954 did not affect feeder prices as much as normally would be expected, because feed grain supplies are abundant in spite of the drought. Feed grain supplies per animal unit for the coming year have been estimated to be as large as supplies during the preceding year, because of the large carryover of feed grains plus large oat, barley, and grain sorghum production.

Variation by Grade

During the period since the end of World War II, medium grade feeder steers, on an average, have sold at about 78 per cent of the price of choice grade feeder steers. However, the relative margins among the different grades is not constant. In general, prices for choice grade feeder steers have been more stable than prices of medium grade steers. Prices of medium grade steers have been rising relatively more during periods of increasing prices and falling more during periods of declining prices than have those for the choice grade. In other words, prices of medium grade feeder steers are more sensitive to wide price changes than are prices of choice grade steers.

FEEDER STEER PRICES AT KANSAS CITY
Medium grade as a percentage of choice grade

SOURCE: U. S. Department of Agriculture.

The accompanying chart compares the 1947 to 1953 average weekly price of medium grade feeder steers as a per cent of the price of choice grade feeder steers with the relationship between the prices of these two grades during 1953 and for 1954 up to the present time. The chart indicates that prices of lower grades of feeder steers, on the average, tend to be high in the spring and low in the fall and early winter in relation to prices of the higher grades. This is what would be expected, since margins would tend to narrow during seasons of light marketings and higher prices, and widen during seasons of heavy marketings and lower prices. However, the seasonal variation of the margin between choice and medium grade prices is small.

During years when cattle numbers are large and are being liquidated, low quality cattle normally would be low in price compared with high quality cattle. Such a situation would be expected to prevail because cattlemen tend to cull out the poor cattle when they liquidate numbers. Therefore, supplies of poor quality cattle tend to be large and prices low in relation to good quality cattle. On the other hand, during periods when cattle numbers are being expanded rapidly, cattle producers tend to hold more lower quality cattle and price spreads tend to be narrower than usual.

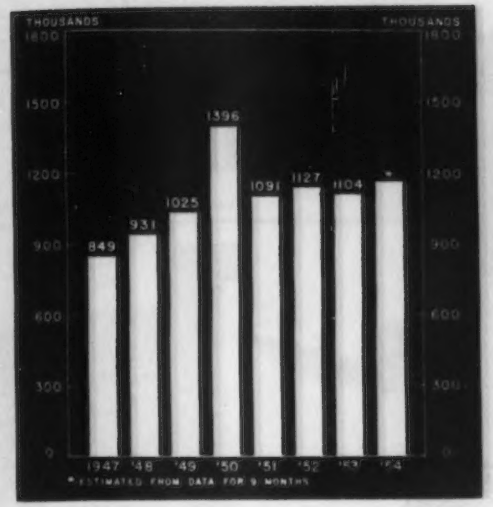
The price relationship between low and high quality steers during 1954 needs emphasis, since it is commonly believed that prices of low quality feeders now are high in relation to those of high quality feeders. This assumption prevails because the 1953 spread was unusually wide. Actually, the price spread to date in 1954 has been slightly wider than usual. It is only in comparison with 1953 when liquidation was relatively large in many regions and price spreads were wide that the 1954 relationships appear to be narrow.

Summary

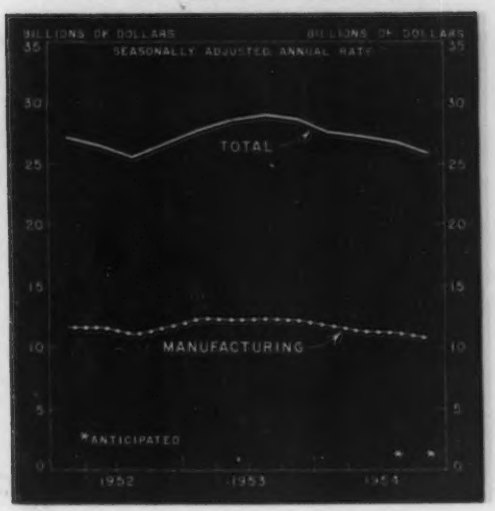
Feeder steer prices tended to follow a normal seasonal pattern from January through June of this year. In July they dropped more than normal for that month, and since July have been following a contra-seasonal pattern. Favorable slaughter steer prices this fall, above average profits from feeding during the past winter, and relatively large supplies of feed grains probably are responsible for the contra-seasonal increase in price during the past few months. Whether present prices of feeder steers can be maintained through the remainder of the year will be determined largely by weather conditions and the demand for beef. It will take a strong market to prevent at least a minor setback in feeder steer prices between now and the end of the year.

During 1953, the relative price spread between medium grade and choice grade feeder steers was considerably larger than the post-World War II average. The average spread in 1954 continued to be a little larger than usual, but was substantially smaller than during 1953. In recent weeks it has been almost average.

NEW NONFARM DWELLING UNITS STARTED



PLANT AND EQUIPMENT EXPENDITURES



BANKING IN THE TENTH DISTRICT

District and States	Loans				Deposits			
	Reserve City Member Banks		Country Member Banks		Reserve City Member Banks		Country Member Banks	
	September 1954 Percentage Change From							
	Aug. 1954	Sept. 1953	Aug. 1954	Sept. 1953	Aug. 1954	Sept. 1953	Aug. 1954	Sept. 1953
Tenth F. R. Dist	+2	+9	+2	+4	−2	+5	0	+4
Colorado	+2	+12	0	−3	+1	+6	+3	+6
Kansas	+1	+8	+4	+9	−2	+7	0	+2
Missouri*	+1	+11	0	+6	−3	+4	0	+2
Nebraska	+4	+13	+7	+2	−1	+1	+1	+1
New Mexico*	**	**	0	+6	**	**	−4	+7
Oklahoma*	0	+2	0	+5	−3	+5	0	+5
Wyoming	**	**	+6	+3	**	**	+3	+8

*Tenth District portion only. **No reserve cities in this state.

PRICE INDEXES, UNITED STATES

Index	Sept. 1954	Aug. 1954	Sept. 1953
Consumer Price Index (1947-49=100)	114.7	115.0	115.2
Wholesale Price Index (1947-49=100)	110.0	110.5	111.0
Prices Rec'd by Farmers (1910-14=100)	246	251	257
Prices Paid by Farmers (1910-14=100)	280	282	277

TENTH DISTRICT BUSINESS INDICATORS

District and Principal Metropolitan Areas	Value of Check Payments		Value of Department Store Sales		*Value of Residential Bldg. Permits	
	Percentage change—1954 from 1953					
	Sept.	Year to date	Sept.	Year to date	Sept.	Year to date
Tenth F. R. Dist.	+5	+4	+6	−1	+75	+41
Denver	+12	+4	+11	0	+182	+48
Wichita	+12	+6	+16	−2	+80	+50
Kansas City	−1	0	+31†	−2†	−8‡	+9‡
Omaha	+5	+7	+4	+4	+107	+60
Okla. City	+9	+8	+14	+5	+166	+95
Tulsa	0	+4	+3	−1	+55	+42

*City only. †Kansas City, Mo., only. ‡Kansas City, Mo., and Kans.

FEDERAL RESERVE BANK OF KANSAS CITY
10-J
INCORPORATED MAY 18, 1914